

Information Office  
Ministry of Finance  
The Netherlands



02/07/2019

**Consultation by the Dutch Ministry of Finance on lowering of substantial holding position threshold to 2%.**

We refer to the consultation on the Amendment of the Dutch Financial Supervision Act to reduce the initial notification threshold for shareholders of listed companies to 2% of votes and/or capital, published on 23 May 2019, and we welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Norwegian Government Pension Fund Global and a portion of Norges Bank's foreign currency reserves. NBIM is a globally diversified investment manager with an equity portfolio consisting of minority stakes in more than 9,000 listed companies. Over EUR 9.5 billion are invested in 64 listed companies incorporated in the Netherlands<sup>1</sup>. NBIM is an active owner and aims to promote long-term value creation in the companies in which it invests.

As a participant in the Dutch market, Norges Bank files a large number of disclosures with the Netherlands Authority for Financial Markets (AFM) at the initial 3% threshold. It is worth noting that a large portion of the daily disclosures are driven by fluctuations in securities lending and collateral positions through Norges Bank's agency lending programme.<sup>2</sup>

For the period 1 January - 31 May 2019, Norges Bank has filed 131 disclosures in the Netherlands with the following breakdown:

- 24 disclosures as a result of changes in securities lending.
- 102 disclosures as a result of changes in collateral positions.
- 5 disclosures as a result of an on-market transaction.

A disclosure regime that facilitates transparency into the behaviour of shareholders, as well as into the beneficial ownership and control structures of listed companies, contributes positively to the functioning of financial markets, benefiting investors, listed issuers and market regulators. Issuers need to be able to identify their shareholders, and investors need to know who is able to vote at general meetings so they can make informed decisions when exercising their ownership rights.

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<sup>1</sup> As at year-end 2018.

<sup>2</sup> Norges Bank Investment Management (NBIM), 2016, Asset Manager Perspective, *The Role of Securities Lending in Well-functioning Markets*

Norges Bank Investment Management is a part of Norges Bank – The Central Bank of Norway

POSTAL ADDRESS  
P.O. Boks 0179 Sentrum,  
NO-0107 Oslo

OFFICE ADDRESS  
Bankplassen 2,  
Oslo, Norway

Tel. +47 24 07 30 00  
Fax +47 24 07 30 01  
Web [www.nbim.no](http://www.nbim.no)

Registration of  
Business Enterprises  
NO 937 884 117 MVA



However, a disclosure regime that is onerous to investors and other stakeholders in the process, and/or leads to high volumes of disclosure information of little relevance can have the opposite effect. Setting the right regulatory framework to provide transparency without imposing unnecessary burden on market participants and without unintended consequences on well-functioning markets is therefore difficult.

While disclosure of collateral holdings is required in most jurisdictions in the European Union (EU), such disclosure does not always contribute to increased market transparency in cases where the investor has little control over shares received as collateral and has no intention or ability to exercise any associated voting rights. Rather, such notifications might overwhelm issuers, regulators and market participants with a large volume of disclosure notifications, especially at low disclosure thresholds.

In terms of disclosure thresholds, the current EU transparency regime<sup>3</sup> leaves Member States with the discretion to introduce a lower threshold than the 5% set in the Transparency Directive. Several Member States stipulate an initial threshold of 3%, whilst the majority have kept the initial threshold at 5%. To our knowledge, only one Member State has an initial notification threshold of 2%, retained from before the implementation of Transparency Directive Amending Directive, while another Member State did, in fact, raise its initial threshold from 2% to 3%. The introduction of the higher initial disclosure threshold of 3% in that market resulted in a noticeable reduction of disclosure notification filings by Norges Bank.

Our view is that the 3% initial threshold in the current Dutch legislation provides a high level of transparency and adequate information to market participants. We consider that the proposal to lower the threshold to 2%, without changing the rules governing the treatment of collateral holdings, carries the risk of greatly increasing disclosure volumes without providing notable benefit to market participants. It would also increase the administrative costs associated with the disclosure process.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours faithfully,

**Stanislav Boiadjiev**  
**Head of Regulatory Compliance**

**Sai Anandha Shankhar**  
**Senior Advisor – Regulatory Compliance**

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<sup>3</sup> Transparency Directive Amending Directive (Directive 2013/50/EU)